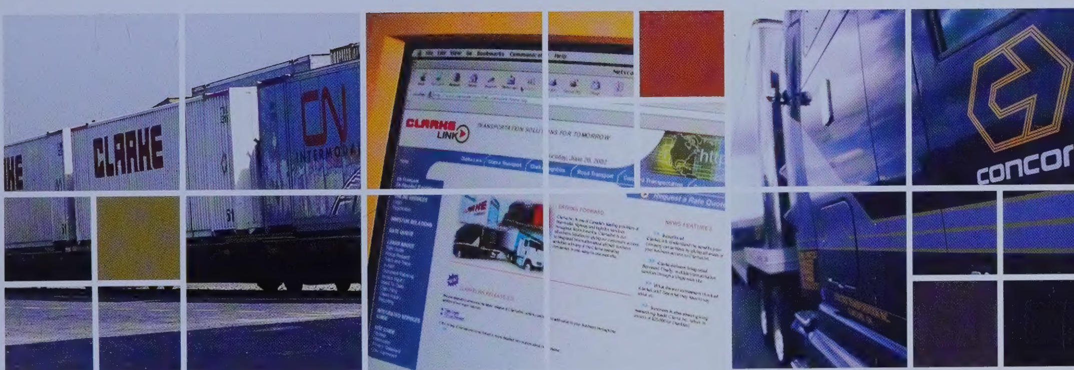
CLARKE

Delivering solutions, driving value



2002 Annual Report
Clarke Inc.

We delivered through our 5 operating divisions

Founded in 1921, Clarke Inc. is one of Canada's leading providers of freight transportation and logistics services throughout North America. Through its five operating divisions: Clarke Transport, Clarke Logistics, Concord Transportation, Clarke Road Transport and Clarke Contract Services, the Company offers:

- Intermodal and highway truckload (TL) and less-than-truckload (LTL) service throughout Canada, between Canada, the U.S. and Mexico, and within the continental U.S.;
- Freight marketing and logistics services across North America;
- Expedited highway service for both TL and LTL shippers within Canada and between Canada and the U.S.; and
- Dedicated transportation contract services.

Clarke provides value-added transportation and logistics solutions backed by a strong technology platform, positioning the Company as a preferred "core carrier", offering a complete range of services to its customers.

Utilizing an extensive network of railroad partners, transport owner-operators, and carrier relationships, Clarke services more than 15,000 customers including a large number of Fortune 500 companies.

Headquartered in Toronto, Ontario, Clarke has 49 offices and distribution facilities across North America and employs more than 1,500 people.

($ millions except per share data)	**F2002**	F2001	F2000	F1999
Revenue	**381.0**	305.2	278.1	244.2
EBITDA	**19.9**	17.8	22.8	18.4
Net Income	**6.7**	6.7	9.6	8.0
Basic EPS	**$ 1.00**	$ 1.01	$ 1.43	$ 1.19

Competitive Strengths

- Full-service, one-stop shop for transportation needs
- North American coverage – Canada, U.S., Mexico
- Customer focused technology infrastructure
- Value-added customer service philosophy

Forward Strategy

- Aggressively pursue organic growth by expanding market share with existing service offerings
- Selectively partner with and acquire companies to realize large-scale growth in current and new geographic markets
- Maximize cross-divisional synergies in sales, operations, administration and technology

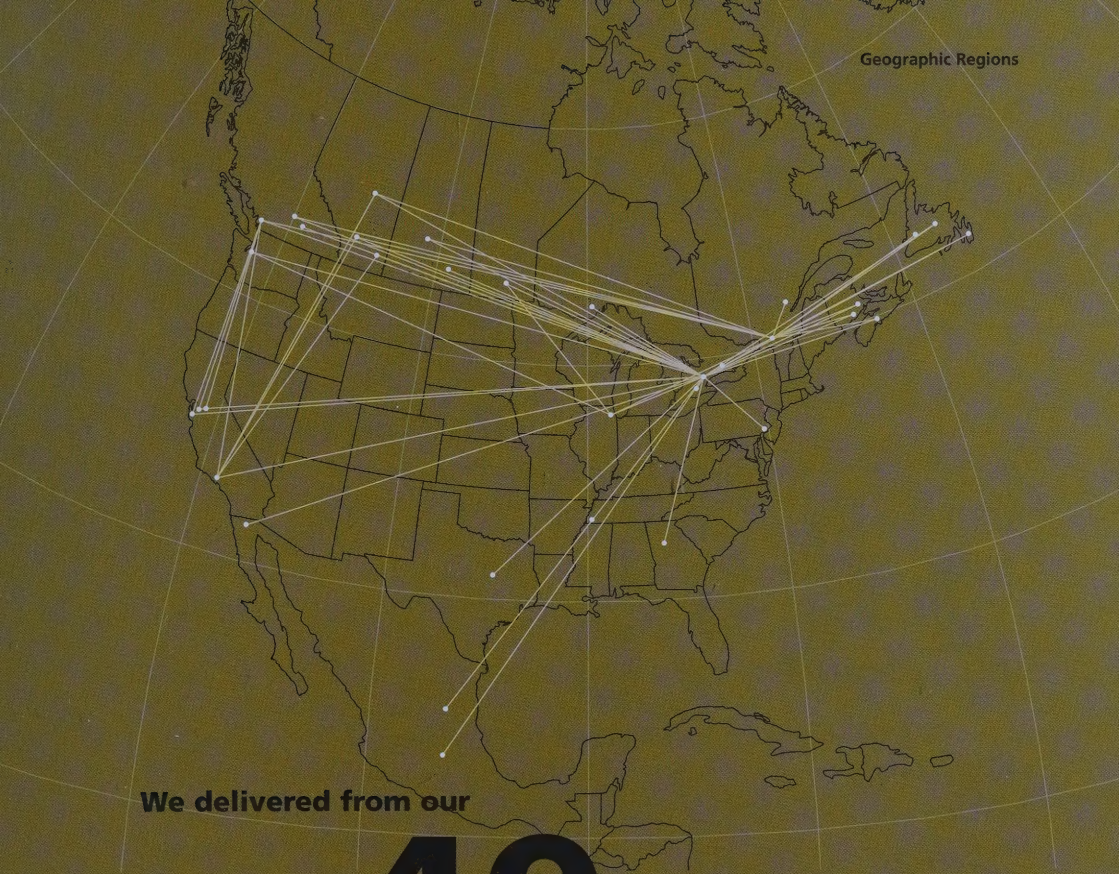
Clarke Transport
(Concord, Ontario)
A national coast-to-coast LTL intermodal rail carrier serving the outbound freight requirements of the provinces of Ontario and Quebec to all points in Western and Atlantic Canada.

Clarke Logistics
(Toronto, Ontario)
A provider of a full range of transportation logistics services that meets the needs of shippers looking to improve supply chain effectiveness. Examines a shipper's complete North American distribution requirements and develops customized solutions to fulfill customers' transborder and domestic U.S. shipping needs.

Concord Transportation Inc.
(Concord, Ontario)
A premier provider of expedited LTL and TL highway freight services to destinations throughout North America. A modern fleet of tractors and company-owned air-ride trailers using teams of drivers around the clock to ensure that shipments arrive "just-in-time."

Clarke Road Transport
(Halifax, Nova Scotia)
A provider of comprehensive TL van and flatbed services within Atlantic Canada and between Atlantic Canada and all major urban destinations in Central Canada and the United States.

Clarke Contract Services
(Montréal, Québec)
The operator of La Traverse Rivière-du-Loup/St. Siméon Limitée, a passenger/car ferry service on the St. Lawrence River.



We delivered from our

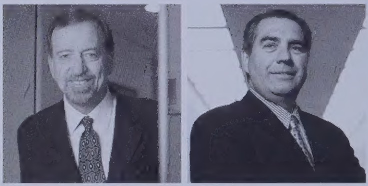
49

offices and distribution facilities

Canada
Vancouver, British Columbia
Kamloops, British Columbia
Kelowna, British Columbia
Calgary, Alberta
Edmonton, Alberta
Medicine Hat, Alberta
Saskatoon, Saskatchewan
Regina, Saskatchewan
Winnipeg, Manitoba
Thunder Bay, Ontario
Kitchener, Ontario
Toronto, Ontario
Brockville, Ontario
Montréal, Quebec
Quebec City, Quebec
St. John, New Brunswick
Moncton, New Brunswick
Halifax, Nova Scotia
Corner Brook, Newfoundland
Grand Falls, Newfoundland
St. John's, Newfoundland

United States
Seattle, Washington
San Francisco, California
Los Angeles, California
Dublin, California
Ripon, California
Waco, Texas
Memphis, Tennessee
Atlanta, Georgia
Chicago, Illinois
Philadelphia, Pennsylvania
Roanoke, Virginia

Mexico
Queretaro, Mexico
Mexico City, Mexico



We delivered a

25%

increase in revenue

2001 was a challenging year for all sectors – not just the transportation industry. In the midst of an economic downturn, the tragic events of September 11th added more uncertainty. During this difficult period, significant progress was made in growing and strengthening the company. Revenues increased 25% and all divisions reported increased operating earnings. However, despite improvements in these areas, management was disappointed that net income, after absorbing several non-operating items, remained virtually unchanged.

Commitments Fulfilled

Two key undertakings fuelled our performance in fiscal 2002 and fulfilled the commitments made to shareholders in last year's annual report.

First, tough measures were taken with the turnaround at Concord Transportation, the company's expedited trucking division. During the overhaul, a number of changes in accounting, cost control, technology and personnel were implemented. The efforts paid off in improved results. The last three quarters of the year saw a return to profitability at Concord. Now, the goal is to build Concord's revenue back up to previous levels – and beyond.

Second, the U.S. companies acquired by Clarke Logistics late in fiscal 2001 were successfully rationalized and integrated into operations. Revenue targets were

met and the acquisitions were accretive to earnings. The company's overall revenue increase of 25% is largely attributable to these new additions, and they will continue to contribute to the expanding U.S. operations, both transborder and interstate.

Technology Advances

A third commitment from last year was to continue the rollout of Clarke's technology platform. This time last year, the company's strategy was outlined in three distinct, yet inter-related areas: a shared data communications network, new business application systems and ClarkeLink, the company's e-commerce initiative. This expanded technology commitment was made in order to provide multi-service offerings to clients. In the past year, great progress was made both internally and externally. At Concord, the installation of new core business applications was a major contributing factor to the turnaround there. ClarkeLink has proven a major success in providing customers with access to information and the ability to process business transactions across all Clarke companies through a single website. There are over 1,300 external and internal users of ClarkeLink.

This technology not only delivers value for customers, but also increases internal efficiency, resulting in reduced overheads and direct cost savings. Clarke currently processes approximately 1.6 million pieces of paper related to issuing invoices each year. As e-commerce capabilities are developed and refined and customers and partners migrate to the digital platform, further operating efficiencies and quality of service gains will be realized. At the same time, as customers understand the value of ClarkeLink, they develop a loyalty to a system that delivers added value to their own businesses.

Balance Sheet

A key component of Clarke's growth strategy is maintaining a strong balance sheet. Initiatives to reduce the average age of accounts receivable, to restrain capital spending and to restructure equipment financing were particularly effective. These initiatives combined with strong free-cash flows reduced total funded debt from $42.8 million to $20.4 million, a $22.4 million improvement. Total debt as a percentage of capital declined to 24.6% from 42.7%. This strengthened balance sheet makes Clarke less vulnerable to an economic downturn and positions the company to take advantage of opportunities in a consolidating industry.

Outlook

Margins remain under pressure, which is one of the major reasons management has devoted so much time and effort to developing technology solutions. Many customers have seen their own production volume shrink during the downturn and their transportation requirements change dramatically. As a customer-driven organization Clarke works hard to accommodate the changing needs of the marketplace. Each division has a sales and service team of dedicated professionals and a network of partnerships to provide a full range of transportation solutions.

Although it is difficult to predict the length and depth of the current economic slowdown, management is confident that the company can maintain its momentum during a downturn. First, Clarke's variable cost business model affords significant flexibility in adjusting to changing market conditions. Second, the company's investments in technology are driving costs out of the business and improving productivity throughout the organization.

Our Thanks

The progress which has been made is due in large part to the competence and dedication of over 1,500 employees and associates throughout North America. All members of the Clarke team are to be commended for their contribution to the company during a difficult year.

Clarke is focussed on delivering strong growth. This growth will be driven by a continuing commitment to utilize technology to generate internal efficiencies and gain market share, and by strategic acquisitions and alliances. This industry is in transition and Clarke is well positioned to capitalize on opportunities as they present themselves.

Roy P. Rideout
Chairman and CEO

Darell F. Hornby
President and COO

We delivered to more than

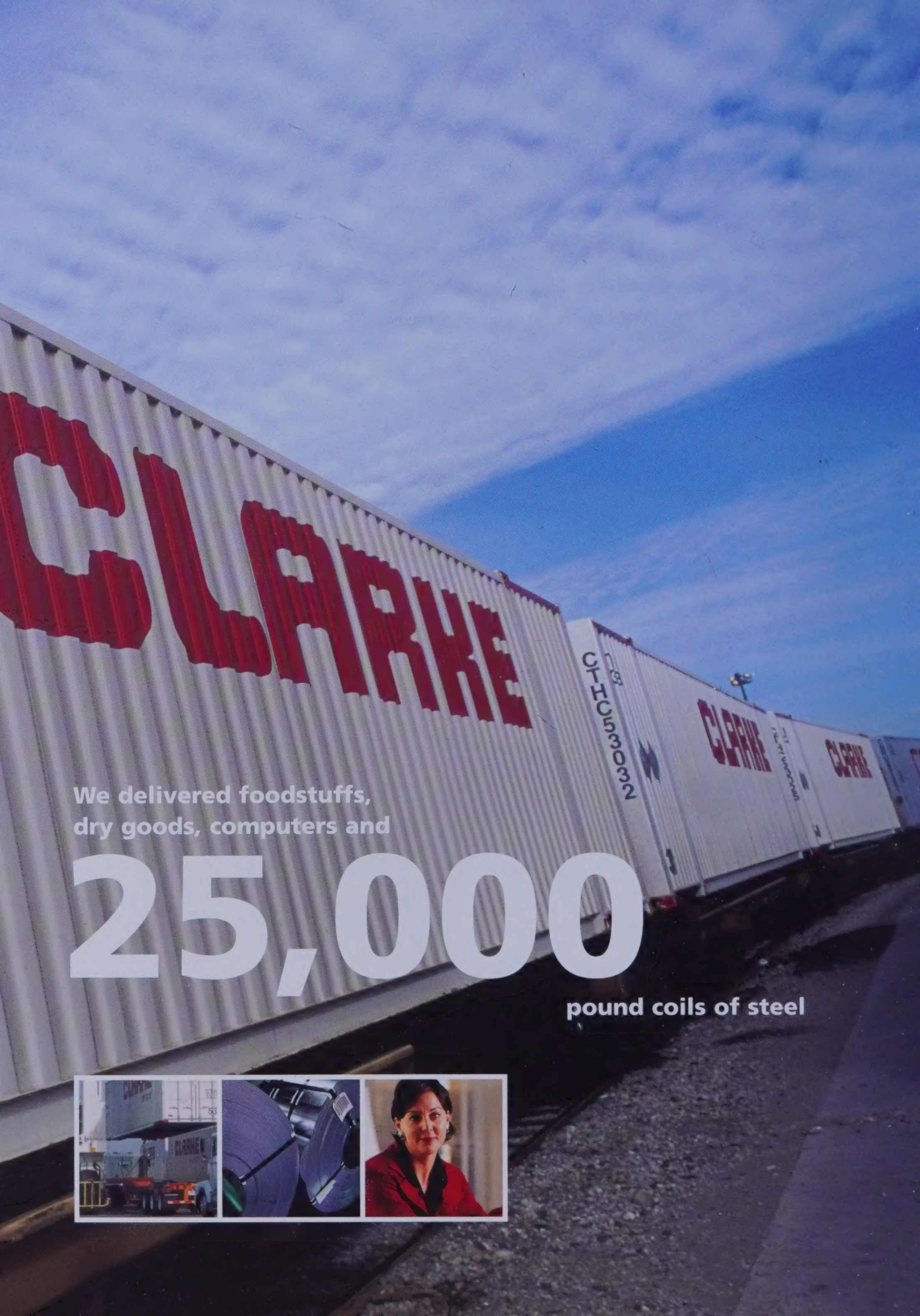
15,000

customers last year

We delivered foodstuffs, dry goods, computers and

25,000

pound coils of steel



Clarke Inc. is a multi-service, transportation solutions company, which offers highway, intermodal, expedited, domestic and transborder freight solutions. With five divisions – Clarke Transport, Clarke Logistics, Concord Transportation Inc., Clarke Road Transport and Clarke Contract Services – Clarke provides LTL, TL and logistics services throughout North America.

Clarke Transport

Clarke Transport is the company's primary domestic carrier with 17 terminals across Canada from St. John's, Newfoundland to Vancouver, B.C. In Atlantic Canada, 80% of its business is on the road. West of Montréal, it is primarily an intermodal carrier. Transport carries a wide variety of products such as foodstuffs, dry goods, computer equipment and 25,000-pound coils of steel.

In November 2001, Clarke Transport significantly increased its capacity with the addition of 45, 53-foot-long heated containers, bringing its container fleet up to 100. The new containers will allow Transport to increase its business from Western to Central Canada, a market segment not formerly serviced by this division.

Clarke Logistics

Clarke Logistics is a non-asset based service provider that uses other companies' rail and truck assets to serve the needs of its customers. A predominantly TL operation, it specializes in transborder and domestic U.S. service, which accounts for substantially all of its revenue. With the successful integration of its new U.S. logistics companies, Logistics is now a fresh face, primed for growth in the U.S. domestic market, a market that is 10 times the size of Canada's. As well, Mexico is increasingly becoming an important part of Logistics revenue stream. In fiscal 2002, its Mexican revenue doubled and already it is ranked as the largest non-automotive intermodal marketing company in Mexico.

A new initiative for Logistics in fiscal 2002 was a substantial business opportunity in Memphis that involved supplying Clarke Logistics employees on site to handle the transportation needs of a major retail customer. The program was successfully deployed and Logistics is now looking to leverage this expertise with other large-volume clients.

Another opportunity for Logistics is the growing trend of American companies to reduce their manufacturing and warehousing operations in Canada – thus producing an increased need for transborder services. Logistics can fill this gap with a combination of intermodal, through its contracts with all of North America's Class I railroads, and truck service through its carrier partners and Clarke managed assets, all at a competitive price.

Concord Transportation Inc.

Concord's expedited service is a premium product with 24-hour dispatch, satellite tracking and interactive web tracing on ClarkeLink. It services both the LTL and TL markets with about 85% of its business in the LTL sector. In Canada, on a regularly scheduled basis, Concord services Montreal, Toronto, Winnipeg, Regina, Saskatoon, Calgary, Edmonton and Vancouver. U.S. destinations include: Los Angeles, San Francisco, Dallas, Seattle, Greensboro, Jersey City and Chicago. In fiscal 2002, Concord's transborder business grew by 25% and this continues to be a prime focus for sales growth.

New for 2002 was Small Package Transborder Solutions, a value-added service that allows customers with a number of small packages that require separate deliveries in the U.S. to ship them on one customs bill of lading to Buffalo. Upon clearing Customs, the shipment is broken down into its individual components and delivered as a "domestic" shipment. This program gives Clarke an opportunity to put more volume into its U.S. domestic service while providing customers with an innovative delivery solution.

We delivered

172,000

shipments "ON TIME"

Clarke Road Transport

Clarke Road Transport offers TL van and flat-bed services throughout North America. Headquartered in Halifax, with offices in St. John's, Moncton and Montréal, the operation has expanded from 18 trucks seven years ago, to nearly 200 trucks today. In fiscal 2002, revenue grew 21%. A new operation in Montréal drove a substantial increase in Road Transport's broker fleet – about 30 new units were added, as U.S. transborder business continues to expand. Though there has been a substantial slow-down in the market, cost reductions and controls have meant a much better bottom line. And because a large proportion of Road Transports' fleet is leased, it has flexibility during prolonged slow periods.

Technology

Clarke's IT strategy is based on the requirement to support a diverse range of service offerings across a broad geographic area. Clarke has made major strides in developing a technology solution that will not only tie its own divisions together, but also provide customers with full access to information and the ability to electronically process business transactions. The main building blocks of the technology strategy are:

1. A common IT infrastructure that will allow all divisions to share technology and data through an internal network.
2. The development and implementation of new core business applications, standardized across the company. This not only supports the standardization of data formats for integration within the company, but also simplifies data exchange and business integration with customers and partners.
3. ClarkeLink, an e-commerce application that allows customers to process business transactions (track and trace, pickup request, claims, etc.) from their desktop directly over the Internet.

In fiscal 2002, technology initiatives were a major focus at Clarke. ClarkeLink now has over 1,300 users, both internal and external. But ClarkeLink is only the public face of a far more comprehensive endeavour in business integration. Behind the scenes, Clarke's technology department is working with key clients on business system integration that allows the exchange of digital information from system to system. Using technology platforms such as EDI (Electronic Data Interchange), XML (Extensible Markup Language), file transfers, e-mail attachments and auto fax, Clarke's customers can now carry out business with all Clarke companies fully electronically – saving time, money and resources for both Clarke and its customers.

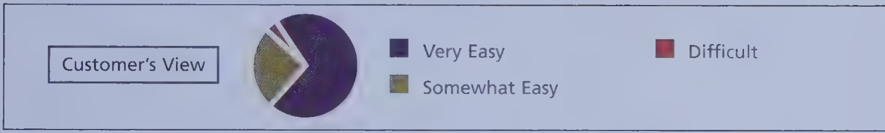
ClarkeLink is a value-added service designed to provide a single point of access for customer transactions and information requirements. It has been developed with intensive customer input. Subsequent to the year end, Clarke conducted an in-depth survey of over 50 customers who use ClarkeLink. 73% found ClarkeLink very easy to use and 74% found it very useful in doing their job. In a 1999 customer survey, 83% of Clarke's customers preferred to do business by phone and fax. Now 80% want to communicate electronically. E-mail is now seen as the most efficient means of doing business for marketing, sales and customer support. And fully 50% of its customers want to migrate to electronic business system integration with Clarke.

We delivered ClarkeLink to more than

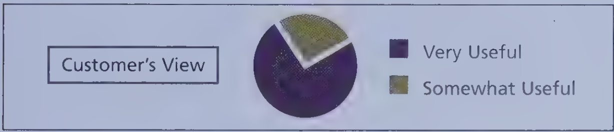
1,300

end users

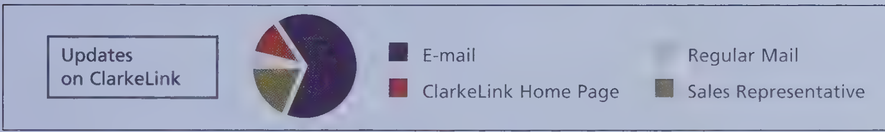
Customers find ClarkeLink easy to use



Customers also find ClarkeLink useful for doing their job



Customers want to Communicate Electronically



ClarkeLink and other technology initiatives will continue to be a priority at Clarke. The customer survey validates the importance technology plays and will continue to play within the transportation sector. Already Clarke is working on ways to integrate its transportation business partners within the Clarke technology infrastructure so that they too can benefit. As the customer base expands its usage of ClarkeLink and business system integration, Clarke will remain attuned to their changing technology requirements, adapting and innovating to meet their needs.

North American Core Carrier

Through hard work, partnerships and the U.S. acquisitions completed last year, Clarke Inc. has established itself as a growing player in the U.S. market. Through its family of companies, it delivers a full menu of shipping options. Wherever in North America a customer needs a pickup or delivery, Clarke is there. Its expanding presence in the U.S. drives growth in both the U.S. domestic and transborder markets. Clarke can ship from Moncton, New Brunswick to Greensboro, North Carolina or from Waco, Texas to Seattle, Washington or from Seattle to Mexico City. It's the customer's choice. All they need to know is that one call to Clarke answers all their shipping needs.

Clarke's business plan is anchored by four cornerstones: motivated employees, satisfied customers, low-cost operations and leading-edge technology. As it advances its corporate strategy and becomes the premier North American transportation provider, Clarke will deliver customer solutions and drive shareholder value.

John Wilson
Vice President and CIO

1. What were Clarke's major accomplishments in fiscal 2002?

First, at Clarke Logistics, we rationalized and integrated the U.S. logistics companies we had acquired at the end of fiscal 2001. These companies were accretive to earnings in fiscal 2002, the first full year of operations, and they have contributed to Clarke's growth opportunities in the U.S. domestic market.

Second, we succeeded in strengthening the balance sheet. Strong free-cash flow, a significant decrease in working capital and the restructuring of our equipment financing allowed us to substantially reduce our overall debt position.

Third, we continued to make progress with the turnaround at Concord. We took some tough measures, implementing changes in accounting, cost control, technology and personnel.

Fourth, the rollout of ClarkeLink has proven to be quite successful. Our comprehensive customer feedback survey suggests that 74% of customers find ClarkeLink very useful in doing their jobs. This implies our IT initiatives are adding value for the customer, which is what we like to see.

Finally, our penetration into the Mexican market has been very encouraging as the revenue stream from this market doubled this year over last. Just one example is that Clarke Logistics' partnership with Molson Canada has made Clarke the exclusive transporter of Corona product from Mexico to Ontario, Quebec and Atlantic Canada.

2. What's the situation at Concord? Has it finally been turned around?

Concord's turnaround continues with notable success – as evidenced by three consecutive quarters of positive earnings. This year Concord adapted to market realities by being both flexible and focussed in its business operations.

Concord has introduced two new partnership services that have played an important part in expanding the range of services it can offer customers: (1) A Custom Brokerage service which adds value to customers and (2) A Small Package Transborder Solutions service which has considerable potential to grow our North/South business. In addition, Concord has a very loyal customer base that stayed with it during the tough times and is being rewarded with superior customer service.

3. What will Clarke do to improve its penetration in the United States in the coming year?

The U.S. market is 10 times the size of the Canadian market, so it's a major focus for Clarke. We are continuously finding new ways of improving our penetration in the U.S. through all our business divisions.

Concord has been aligning itself with sales partners in the U.S. since 1998. Through these partnerships, Concord is able to reach new geographical markets and locate new business opportunities. Additionally, Concord maintains good relations with its transborder customers, with whom there is potential for future U.S. domestic volume.

Over the 2002 fiscal year, Clarke Logistics opened two new offices in the U.S., one in Waco, Texas and the other in Seattle, Washington. Additionally, it participated in a joint venture with CN rail through Transci, a Chicago-based intermodal/highway services company. This U.S. expansion, combined with a dedicated sales force, demonstrates Logistic's commitment to increasing its U.S. exposure and capitalizing on new business opportunities.

Clarke Transport, Clarke Logistics, Concord and Clarke Road Transport all participate in the cross selling of services to provide customers with a one-stop shop. With increased exposure in the U.S. market, new business opportunities can be magnified through this cross-selling business practice.

Clarke is now recognized as a fresh face in the U.S. domestic market and has gained exposure there over the last year. During fiscal 2003, we plan to capitalize on our U.S. opportunities as well as expand our presence in Mexico, where we see substantial business prospects.

4. What are the major challenges for the coming year?

One of the biggest challenges the company is facing this year is the economy. Even before September 11th, we felt the pressures of an economic slowdown, while post September 11th orders slowed even further. This slowdown definitely impacted revenue, specifically in the fourth quarter of fiscal 2002. However, our strong balance sheet, our variable cost business model and our leading edge technology platform position us well during soft market conditions. In the meantime, we are marketing our services vigorously particularly in the U.S.

Another challenge for Clarke will be the further implementation of ClarkeLink – our new integrated technology infrastructure. ClarkeLink is changing the way we – and our customers – do business, and its benefits are being realized immediately. We recognize, however, that we can't expect to see the full benefits of this technology until it has been fully implemented across our customer base.

We delivered a

52%

reduction in long-term debt

The following management discussion and analysis ("MD&A") should be read in conjunction with consolidated financial statements and notes thereto of operations for the year ended March 31, 2002. All dollar amounts are shown in Canadian dollars unless otherwise specified.

Overview

Clarke Inc. is one of North America's leading low-cost providers of full-service freight transportation and logistics solutions.

During fiscal 2002, all of Clarke's operating divisions posted growth in profitability. However, net income of $6.7 million for fiscal 2002 remains at the same level as 2001. The current year's results reflect the improved contribution from Concord and the financial impact of the U.S. logistics companies acquired in late fiscal 2001, offset by increased information technology spending, lower pension income, reduced foreign exchange gains and a higher effective tax rate.

Results of Operations
Year Ended March 31, 2002
Compared to the Year Ended March 31, 2001

Revenue

Revenue for the year increased 25% to $381.0 million in fiscal 2002. Revenue growth in both the transborder and U.S. markets were impacted by a full year of operations from Clarke's U.S. logistics acquisitions which was the primary contributor to the 2002 revenue increase.

Clarke's revenue mix in 2002 increased.

($ millions)	2002	2001	% Change
Revenues			
• Domestic	$ **175.3**	$ 176.8	(0.8%)
• Transborder	**205.7**	128.4	60.2%
	$ **381.0**	$ 305.2	24.8%

Consolidated operating expenses increased 26% to $361.1 million from $287.4 million.

The increase in operating expense was mainly attributed to the higher volumes.

Earnings before interest, income taxes and depreciation and amortization (EBITDA) increased 12% to $19.9 million compared with $17.8 million in 2001.

The increase in EBITDA of $2.1 million was mainly attributable to:

- Contribution generated by the U.S. logistics acquisitions;
- Improvement to Concord's financial performance; and
- Increased revenue at Clarke Road Transport and Clarke Transport; offset by:
  - Increased spending in information technology;
  - Lower pension income; and
  - Reduced foreign exchange gains.

Depreciation expense was $4.8 million compared to $4.4 million for fiscal 2001.

Interest expense for fiscal 2002 was $2.1 million compared with $2.2 million last year. In fiscal 2002 the average level of debt was higher than 2001, offset by lower interest rates.

The company's effective tax rate in fiscal 2002 was 43.5%. This compares with 34.4% last year when an adjustment was reflected in the effective tax rate.

Net income remained the same at $6.7 million in fiscal 2002.

Basic and diluted earnings per share, after goodwill amortization, was $1.00 for fiscal 2002 compared to $1.01 in 2001.

Liquidity and Capital Resources

In fiscal 2002, cash flow from operations, before working capital changes, was $13.4 million compared to $13.0 million for the same period last year. The improvements in Concord's financial results and contribution from the new U.S. logistics operations were offset by the increase in information technology spending and an increase in the current income tax provision.

Non-cash working capital decreased by $8.2 million primarily due to a reduction in the average age of accounts receivable.

At March 31, 2002, Clarke's working capital was $7.7 million and the working capital ratio was 1.15:1.

Capital expenditures for the year were $2.5 million compared to $7.4 million last year. The majority of expenditures in fiscal 2002 were related to information technology and forklift replacements. During the year the company executed a $5.9 million sale lease-back transaction with G.E. Capital related to trailers, containers and chassis.

Dividends were declared in the amount of $2.0 million. This was unchanged from fiscal 2001.

The company has credit facilities comprised of a $30 million convertible revolving credit facility and a $10 million demand operating facility. Indebtedness is collateralized by a pledge of accounts receivable and a first charge in its principal assets. At March 31, 2002, the company had utilized $15 million of its $40 million in credit facilities. The company is in the final stages of negotiating a new $10 million operating and $30 million 5 year term credit facilities with its current bank. Debt as a percentage of total capital, was 24.6% compared to 42.7% at the fiscal 2001 year end.

During fiscal 2002 total debt was reduced by $22.4 million through initiatives to reduce working capital, a sale lease-back transaction and positive cash flows. As a result management anticipates that it will have the financial capacity to fund the existing operations and future growth opportunities.

General Risks and Uncertainties

Clarke is exposed to a number of risks and uncertainties that could adversely impact its results.

The transportation business is sensitive to general economic conditions in North America. A slowdown in the economy in Canada or the U.S. could negatively impact the company's revenue and earnings. Some of this risk is mitigated by:

a. The variable nature of a large portion of Clarke's cost structure;

b. The geographic dispersion of its operations within North America, which reduces dependency on any particular geographic region; and

c. A diverse customer base with no single customer accounting for more than 3% of revenue.

Currency fluctuations between Canada and the U.S. could have an impact on the demand for freight services. In addition, a stronger Canadian dollar could adversely impact the company's

competitiveness with U.S. carriers. The company is a net seller of U.S. dollars, and, therefore it does not have a natural hedge against currency fluctuations. However, the potential impact of the foreign exchange exposure is not considered significant in relation to consolidated earnings.

The trucking industry is continuously challenged by a shortage of qualified owner operators. To address this issue, Clarke employs compensation and human resource strategies designed to attract and retain qualified operators.

Increases in the price of diesel fuel can result in higher operating expenses. The company has implemented fuel surcharges payable by its customers as a means of sharing higher fuel costs.

The freight transportation industry has some exposure to accidents, cargo claims and other insurable risks. Clarke reduces these risks by having adequate insurance coverage with significant insurance providers, retaining appropriate deductibles, ensuring equipment is properly maintained, using qualified operators and establishing proper safety standards.

Outlook

Clarke has just finished a year of operational turnaround which improved the company's financial position during a period of economical slowdown. The decline in the general economy was most notable in the fourth quarter of fiscal 2002.

Although Clarke is not optimistic about 2003, the company believes the long term demand for transportation services will continue to increase. Clarke is well positioned to capitalize on this growth and anticipates further improvements in its operating performance.

Future Accounting Change

The Canadian Institute of Chartered Accountants has issued a new accounting standard for goodwill and other intangible assets that is effective for fiscal year 2002. Under this new standard, amortization of goodwill is no longer permitted, but the carrying value is subject to a modified test to determine if there is permanent impairment. A goodwill impairment loss would be recognized if the fair value of the goodwill of a reporting unit is less than its carrying amount. An initial impairment test is required within the first quarter of adoption. If any potential impairment is indicated, then it should be quantified based upon the fair value of the assets and liabilities of the reporting unit and, if necessary, recognized by the end of fiscal year 2003 as a charge to opening retained earnings. The company has not completed its evaluation of the impact of the new standard.

In November 2001, the CICA issued handbook section 3870, "Stock Based Compensation and Other Stock Based Payments" ("CICA 3870"). CICA 3870 requires that certain types of stocked-based compensation arrangements be accounted for at fair value after April 1, 2002, giving use to compensation expense. Although the company is currently reviewing this new CICA pronouncement, the impact of is anticipated to be immaterial.

Jim Lawn
Vice-President, Finance and CFO

Management's Statement of Responsibility

The accompanying consolidated financial statements of Clarke Inc. (the "company") have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with these consolidated financial statements. All information, including financial, in this annual report is the responsibility of management. Management maintains internal accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors and management have established corporate governance practices that are consistent with guidelines set out in the report issued by the Toronto Stock Exchange Committee on Corporate Governance in Canada. The Board of Directors oversees the management of the business and the affairs of the company including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, comprised of three (4) members considered to be "outside" and "unrelated" directors, have reviewed the consolidated financial statements with management and the external auditors. The Audit Committee meets twice per year with management and the auditors to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Audit Committee also considers, for review by the Board of Directors and agreement by the Shareholders, the engagement or reappointment of auditors.

Ernst & Young LLP, an independent firm of chartered accountants appointed as external auditors by the shareholders, has audited the consolidated financial statements and its report is included herein.

R P Rideout

Roy P. Rideout
Chairman
and Chief Executive Officer

J Lawn

Jim Lawn
Vice-President, Finance
and Chief Financial Officer

Auditors' Report

To the Shareholders of Clarke Inc.:

We have audited the consolidated balance sheets of Clarke Inc. as at March 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
May 6, 2002
Chartered Accountants

As at March 31 (in thousands of dollars) See accompanying notes	2002	2001
Assets (note 5)		
Current		
Accounts receivable	**$ 55,465**	$ 56,562
Prepaid expenses	**2,106**	2,005
Income taxes recoverable	**902**	1,440
Total current assets	**58,473**	60,007
Capital assets, net (note 3)	**18,331**	26,576
Other assets (note 4)	**12,414**	11,990
Future income tax assets (note 9)	**255**	1,389
Goodwill	**36,598**	37,033
	$ 126,071	$ 136,995
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness (note 5)	**$ 6,852**	$ 14,694
Accounts payable and accrued liabilities	**42,014**	35,685
Dividend payable	**1,005**	1,005
Current portion of long-term debt (note 5)	**697**	1,377
Future income tax liabilities (note 9)	**192**	123
Total current liabilities	**50,760**	52,884
Long-term debt (note 5)	**12,826**	26,746
Total liabilities	**63,586**	79,630
Commitments and contingencies (notes 2 and 6)		
Shareholders' equity		
Share capital (note 7)	**25,738**	25,738
Contributed surplus	**13,273**	13,273
Retained earnings	**23,045**	18,383
Cumulative translation adjustment	**429**	(29)
Total shareholders' equity	**62,485**	57,365
	$ 126,071	$ 136,995

On behalf of the Board:

R P Rutsout

Director

D G Hatha

Director

Consolidated Statements of Income

For the years ended March 31 (in thousands of dollars, except per share amounts) See accompanying notes	**2002**	2001
Revenue	**$ 381,011**	$ 305,207
Operating expenses	**361,139**	287,418
Income before the undernoted items	**19,872**	17,789
Depreciation	**4,770**	4,365
Interest expense (note 5)	**2,057**	2,215
Income before income taxes and goodwill amortization	**13,045**	11,209
Provision for income taxes (note 9)	**5,377**	3,663
Income before goodwill amortization	**7,668**	7,546
Goodwill amortization, net of tax recovery of $247 (2001 – $125)	**996**	810
Net income for the year	**$ 6,672**	$ 6,736
Income before goodwill amortization per share		
Basic and diluted	**$ 1.14**	$ 1.13
Net income per share		
Basic and diluted	**$ 1.00**	$ 1.01
Dividends per common share	**$ 0.30**	$ 0.30
Weighted average number of common shares outstanding		
Basic	**6,700**	6,700
Diluted	**6,702**	6,704

Consolidated Statements of Retained Earnings

For the years ended March 31 (in thousands of dollars)	**2002**	2001
Retained earnings, beginning of year	**$ 18,383**	$ 13,657
Net income for the year	**6,672**	6,736
Dividends declared	**(2,010)**	(2,010)
Retained earnings, end of year	**$ 23,045**	$ 18,383

As at March 31 (in thousands of dollars) See accompanying notes	2002	2001
Operating Activities		
Net income for the year	**$ 6,672**	$ 6,736
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Depreciation and amortization	**6,013**	5,300
Gain on disposal of capital assets	**(91)**	(463)
Pension income (note 8)	**(395)**	(1,000)
Future income taxes (note 9)	**1,203**	2,404
	13,402	12,977
Net change in non-cash working capital balances (note 10)	**8,173**	(9,660)
Net cash provided by operating activities	**21,575**	3,317
Investing Activities		
Purchase of capital assets	**(2,509)**	(7,396)
Disposal of capital assets	**6,087**	1,535
Business acquisitions (note 2)	**(683)**	(9,894)
Net change in other assets	**(29)**	(18)
Net cash provided by (used for) investing activities	**2,866**	(15,773)
Financing Activities		
Increase in long-term debt	**4,000**	7,000
Repayment of long-term debt	**(18,600)**	(2,935)
Increase (decrease) in bank indebtedness	**(7,842)**	10,406
Dividends paid	**(2,010)**	(2,010)
Net cash provided by (used for) financing activities	**(24,452)**	12,461
Effect of translation adjustment on cash	**11**	(5)
Change in cash and balance beginning and end of year	**$ –**	$ –
Supplemental cash flow information		
Non-cash financing and investing activities		
Purchase of capital assets under capital lease	**$ 397**	$ –
Purchase of capital assets financed by long-term debt	**–**	2,000
Cash taxes paid	**3,860**	4,450
Cash interest paid	**1,830**	2,079

Note 1: Summary of Significant Accounting Policies

Clarke Inc. (the "company") was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act. The Company provides freight transportation and logistics services throughout North America.

The accounting policies of the company conform with Canadían generally accepted accounting principles. The significant accounting policies are summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, Clarke Transportation Services Inc., Clarke Logistics Inc., La Traverse Rivière-du-Loup - St-Siméon Limitée, Concord Transportation Inc., and TranSci Transportation Systems, LLC. All significant inter-company transactions have been eliminated.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Replacements, renewals and betterments are capitalized. Routine maintenance and repairs and minor replacements are expensed as incurred. Capital assets are depreciated over their estimated useful lives principally using the following rates and methods:

	Rate %	Method
Buildings	5	Straight-line
Computer hardware and software	20 to 50	Straight-line
Furniture and equipment	12.50	Straight-line
Transportation equipment	7 to 33	Straight-line

Goodwill

On the acquisition of businesses, the excess of the purchase price for net assets (including acquisition costs) over the fair market value at the time of purchase is recognized as goodwill. Goodwill is amortized on a straight-line basis over 20 to 40 years. The company assesses impairment based on estimated discounted cash flows of the acquired business over its remaining life. The net book value of goodwill would be written down if the value were permanently impaired.

Accumulated amortization on goodwill was $8,194,000 at March 31, 2002 (2001 – $6,978,000).

Foreign currency translation

Transactions denominated in foreign currencies, other than for self-sustaining foreign subsidiaries, are translated into Canadian dollars at the average rate of exchange prevailing during the year the transaction occurred. Non-monetary assets and liabilities are translated at the historical transaction rate of exchange. Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate. All exchange gains and losses are recorded in the consolidated statements of income in the year incurred.

The accounts of foreign subsidiaries which are considered self-sustaining are translated into Canadian dollars at the year-end exchange rate for assets and liabilities, and the average exchange rate in effect for the year for revenue and expenses. Unrealized exchange gains or losses arising from the translation of foreign subsidiaries' accounts are accumulated under shareholders' equity as the cumulative translation adjustment.

Revenue recognition

Revenue and related expenses are recognized at the time of substantial performance of services.

Post-employment costs and obligations

The company has in place defined benefit pension plans covering substantially all full-time employees. In valuing pension obligations, the company uses the projected benefit method prorated on services with years of credited services for active members and with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement age of employees. Pension plan assets are valued at market value. Adjustments from plan amendments, the portion of actuarial experience gains and losses in excess of 10% of the greater of value of the plan assets or accrued benefit assets, and changes in assumptions are amortized on a straight-line basis over the expected average remaining service life ("EARSL") of the plan's active participants. The EARSL is 15 years for The Pension Plan for Employees of Clarke Inc. ("PPE") and 10 years for The Supplementary Employee Retirement Plan ("SERP") and The Group Benefit Plan ("GBP").

Post retirement benefits other than pensions, primarily health care and insurance are actuarially determined and accrued on a basis similar to pension costs.

Per share information

In 2002, the company adopted The Canadian Institute of Chartered Accountants new recommendations for the presentation and disclosure of basic and fully diluted earnings per share. The company adopted the new recommendations retroactively, and accordingly, the presentation in the consolidated financial statements of the company for the comparative fiscal year ended has been restated. The impact of adopting the new recommendations was to increase diluted earnings per share by $0.06 in 2002 (2001 – $0.05) and reduce the average number of diluted shares outstanding by 538,000 in 2002 (2001 – 524,000).

Per share information is based on the weighted average number of common shares outstanding during the year of 6,700,000 (2001 – 6,700,000).

Basic earnings per share are calculated on the net income using the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated on the weighted average number of common shares that would have been outstanding during the year including an adjustment for stock options outstanding using the treasury stock method.

Under the treasury stock method: i) the exercise of options is assumed to be at the beginning of the fiscal year; ii) the proceeds from the exercise of options are assumed to be used to purchase common shares at the average market price during the fiscal year, and iii) the incremental number of shares are included in the denominator of the diluted earnings per share calculation.

Income taxes

The company follows the liability method of accounting for income taxes, whereby future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are anticipated when these temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Stock-based compensation

The company has a stock option plan for employees, officers and directors. All stock options have an exercise price equal to the fair market value of the common shares at the time the options are granted. No compensation expense is recorded at the time the options are granted. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make assumptions and estimates that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the fiscal year. Actual results could differ from those estimates.

Note 2: Business Acquisitions

Between December 15, 2000 and January 15, 2001, the company acquired the assets of four domestic US based logistics marketing companies: i) Focus Carriers, LLC, ii) Creative Logistics, iii) Kenley Trucking Corp., and iv) Brandywine Consolidators, Inc.

The company paid cash consideration of $8,416,000, including acquisition costs of approximately $119,000, for the following:

(in thousands of dollars)		
Assets acquired, at fair value		
Capital assets	$	382
Goodwill		8,034
Total	$	8,416

The terms of the purchase provide for additional consideration up to approximately US $3,100,000 contingent on the acquired businesses meeting certain profitability targets over a two-year period ending January 2003. During the year, the company paid US$ 406,000 as a result of the acquired businesses meeting certain profitability targets. This consideration is being recorded as an addition to goodwill as it becomes payable. These acquisitions were accounted for using the purchase method with the results of operations incorporated in the company's consolidated financial statements from the dates of acquisition. Goodwill is being amortized over 20 years.

Note 3: Capital Assets

(in thousands of dollars)	Cost	Accumulated Depreciation	Net Book Value
March 31, 2002			
Land	**$ 2,106**	**$ –**	**$ 2,106**
Buildings	**5,077**	**3,542**	**1,535**
Computer Hardware and Software	**11,103**	**7,097**	**4,006**
Furniture and Equipment	**3,057**	**2,391**	**666**
Transportation Equipment	**23,039**	**13,021**	**10,018**
Total	**$ 44,382**	**$ 26,051**	**$ 18,331**
March 31, 2001			
Land	$ 2,106	$ –	$ 2,106
Buildings	5,077	3,299	1,778
Computer Hardware and Software	9,197	5,719	3,478
Furniture and Equipment	3,428	2,572	856
Transportation Equipment	29,542	11,184	18,358
Total	$ 49,350	$ 22,774	$ 26,576

Capital assets include equipment under capital lease with a carrying value of approximately $462,000 (2001 – $170,000). Transportation equipment with a carrying value of approximately $1,872,000 (2001 – $3,561,000) has been collateralized against the company's finance contracts (note 5).

During the year, the company disposed of transportation equipment through a sale-lease back transaction with proceeds of $5,875,000.

Note 4: Other Assets

(in thousands of dollars)		2002		2001
Prepaid pension expense (note 8)	$	12,111	$	11,719
Other		303		271
Total	$	12,414	$	11,990

Note 5: Bank Indebtedness and other Borrowings

Bank indebtedness and long-term debt consist of the following:

(in thousands of dollars)		2002		2001
Bank indebtedness	$	6,852	$	14,694
Long-term debt				
Bankers' acceptances	$	2,500	$	16,000
Term loan		10,000		10,000
Finance contracts		578		1,970
Capital lease obligations		445		153
		13,523		28,123
Less current portion		(697)		(1,377)
Net long-term portion of long-term debt	$	12,826	$	26,746

The company has a $30,000,000 convertible revolving credit facility and a $10,000,000 demand operating facility with a Canadian chartered bank. Accounts receivable and a first charge on the company's principal assets have been pledged as collateral for the indebtedness under these facilities. As at March 31, 2002, the company had drawn $12,500,000 (2001 – $26,000,000) of the $30,000,000 facility and had drawn $2,522,000 (2001 – $8,005,000) under the demand operating facility for a total of $6,852,000 (2001 – $14,694,000) of bank indebtedness after including outstanding cheques.

The demand operating facility provides for borrowing at bank prime equal to 3.75% (2001 – 6.75%) at March 31, 2002. The revolving credit facility provides for borrowing at bank prime plus 3/8% equal to 4.1% at March 31, 2002 (2001 – 7.1%) and bankers' acceptance rates plus 1%, averaging 3.3% at March 31, 2002 (2001 – 6.6%). The bank has committed this facility until March 30, 2006. The company intends to continue to and has the ability to refinance under its revolving facility and accordingly has classified the bankers' acceptances as long term. The term loan obtained under the revolving credit facility bears interest at a fixed rate of 8.03% until July 28, 2004 at which time the loan can be refinanced under the terms of the revolving facility.

The finance contracts bear interest at rates varying from bank prime plus 1% to 3% equal to 4.75% to 6.75% at March 31, 2002, and mature between 2003 and 2004. These contracts are collateralized by transportation equipment with a carrying value of approximately $1,872,000.

Capital lease obligations relating to computer equipment bear interest at rates varying from 6.7% to 7.2% and mature between 2002 and 2005.

Principal repayments are due in the following fiscal years:

(in thousands of dollars)		
2003	$	697
2004		196
2005		130
2006		12,500
Total	**$**	**13,523**

Interest on long-term debt totalled $1,643,000 for the year ended March 31, 2002 (2001 – $1,729,000).

Note 6: Commitments and Contingencies

Operating lease commitments

The company is committed to lease properties, equipment and other items. As at March 31, 2002, future minimum annual payments are as follows:

(in thousands of dollars)		**Properties**		**Equipment**		**Other**		**Total**
2003	$	3,378	$	2,922	$	643	$	6,943
2004		3,066		1,484		65		4,615
2005		2,820		1,032		–		3,852
2006		2,189		208		–		2,397
2007		1,174		33		–		1,207
Thereafter		2,137		–		–		2,137
Total	**$**	**14,764**	**$**	**5,679**	**$**	**708**	**$**	**21,151**

Contingencies

In the normal course of business, various commitments and contingent liabilities are outstanding. These include potential claims for damages and other actions. Management believes that adequate provisions have been made and any potential settlements would not materially affect the company's results.

Letters of credit

Under the terms of the Supplementary Employment Retirement Plan ("SERP") certain executives are entitled to a retiring compensation arrangement protected by irrevocable letters of credit. The letter of credit outstanding at March 31, 2002 was $497,000. If all eligible executives exercised their protection entitlement rights, an additional $7.5 million in letters of credit would have to be secured by the company.

Insurance bonds

The company also maintains certain customs and security bonds aggregating $989,000.

Note 7: Share Capital

(in thousands of dollars, except number of shares)	2002 #	2002 $	2001 #	2001 $
Authorized				
Unlimited number of common shares				
Issued	**6,700,000**	**25,738**	6,700,000	25,738

Employee Stock Option Plan

The company has reserved 670,000 common shares under a stock option plan for directors, officers and certain employees. Pursuant to this plan, at March 31, 2002, the company had granted options to directors, officers and certain employees to acquire an aggregate of 540,000 common shares.

The holders of options may elect either to exercise options by purchasing the shares at the exercise price, or at the company's approval, elect to cancel the options and receive cash for an amount equal to the difference between the closing price and the exercise price.

A reconciliation of the changes in stock options outstanding during the years ended March 31, 2002 and 2001, and the balance of options exercisable at those dates, is presented below:

Stock options	2002 #	2002 Weighted Average Exercise Price	2001 #	2001 Weighted Average Exercise Price
Outstanding, beginning of year	**540,000**	**$ 8.74**	545,000	$ 12.67
Repricing adjustment	–	–	–	(3.76)
	540,000	**8.74**	545,000	8.91
Granted	–	–	55,000	7.29
Cancelled	–	–	(60,000)	8.92
Outstanding, end of year	**540,000**	**$ 8.74**	540,000	$ 8.74
Options exercisable, end of year	**457,500**	**$ 8.88**	322,500	$ 8.94

During 2001, 425,000 options previously granted at exercise prices of $13.75 and $14.40 were repriced to $9.00.

The following table provides further detail with respect to options outstanding and the options exercisable at March 31, 2002. The options have a five-year vesting period.

Options Outstanding Number	Options Outstanding Remaining Life	Options Outstanding Exercise Price	Options Exercisable Number	Options Exercisable Exercise Price
375,000	0.96	$ 9.00	375,000	$ 9.00
10,000	1.08	9.00	7,500	9.00
45,000	1.98	8.40	33,750	8.40
15,000	2.18	8.40	7,500	8.40
40,000	2.81	8.75	20,000	8.75
15,000	3.13	7.80	3,750	7.80
40,000	3.93	7.10	10,000	7.10
540,000		**$ 8.74**	**457,500**	**$ 8.88**

Note 8: Pension Plans

The company has a defined benefit plan providing pensions for its employees. The company has other post-employment and post-retirement benefits. The net cumulative sum of funding contributions and the amounts recorded as pension income is shown as prepaid pension expense in other assets (note 4).

The PPE provide post-retirement benefits for all eligible employees in Canada, except certain designated executives. The SERP provides improved post-employment and post-retirement benefits for certain designated executives of the company. The GBP provides post-employment benefits including health care and insurance for certain designated executives.

Information about the company's plans at December 31st is as follows:

(in thousands of dollars)	PPE	SERP	GBP	2001 Total	2000 Total
Change in accrued benefit obligation:					
Balance, beginning of year	$ 33,334	$ 4,458	$ 811	$ 38,603	$ 32,723
Current service cost	2,259	248	54	2,561	2,382
Interest cost	2,227	376	58	2,661	2,481
Benefits paid	(1,540)	(11)	–	(1,551)	(1,771)
Actuarial losses (gains)	(1,804)	871	–	(933)	2,788
Accrued benefit obligation as at December 31st	$ 34,476	$ 5,942	$ 923	$ 41,341	$ 38,603
Change in plan assets:					
Fair value, beginning of year	$ 57,430	$ –	$ –	$ 57,430	$ 51,719
Employer contributions	–	11	–	11	–
Employee contributions	667	–	–	667	751
Expected return on plan assets	4,560	–	–	4,560	4,096
Benefits paid	(1,540)	(11)	–	(1,551)	(1,771)
Actuarial gains	701	–	–	701	2,635
Fair value as at December 31st	$ 61,818	$ –	$ –	$ 61,818	$ 57,430
Funded status – plan surplus (deficit):					
Funded status – plan surplus (deficit)	$ 27,342	$ (5,942)	$ (923)	$ 20,477	$ 18,827
Unamortized net actuarial losses (gain)	(2,729)	1,110	60	(1,559)	154
Unamortized transitional obligation (asset)	(8,242)	911	524	(6,807)	(7,262)
Net accrued benefit asset (liability) as at December 31st	$ 16,371	$ (3,921)	$ (339)	$ 12,111	$ 11,719

The SERP and GBP are not funded. The significant actuarial assumptions adopted in measuring the company's accrued benefit obligations are as follows:

	PPE	SERP	GBP
Discount rate	6.75%	6.75%	6.75%
Expected long-term rate of return on plan asset	8.00%	N/A	N/A
Projected future compensation increase	4.75%	4.75%	4.75%

The company's net benefit plan expense (income) is as follows:

(in thousands of dollars)	PPE	SERP	GBP	2002 Total	2001 Total
Net plan expense (income):					
Current service cost, net of employee contributions	$ **1,592**	$ **248**	$ **54**	$ **1,894**	$ 1,630
Interest cost	**2,227**	**376**	**58**	**2,661**	2,481
Expected return on plan assets	**(4,560)**	**–**	**–**	**(4,560)**	(4,097)
Other adjustments	**–**	**–**	**–**	**–**	(560)
Amortization of transitional obligation (asset)	**(634)**	**178**	**66**	**(390)**	(454)
Net plan expense (income) for the year ended March 31st	$ **(1,375)**	$ **802**	$ **178**	$ **(395)**	$ (1,000)

Note 9: Income Taxes

The company's effective income tax rate is derived as follows:

(in thousands of dollars)	2002		2001	
Income tax calculated at the statutory rate	$ **4,840**	**41.0%**	$ 4,384	42.7%
Increases/decreases in tax resulting from:				
Recovery of minimum tax	**–**	**–**	(154)	(1.5%)
Non-deductible expenses	**434**	**3.7%**	429	4.2%
Reduction of valuation allowance	**(495)**	**(4.2%)**	(556)	(5.5%)
Other	**351**	**3.0%**	(565)	(5.5%)
Provision for income taxes at effective rate	$ **5,130**	**43.5%**	$ 3,538	34.4%
Represented by:				
Current income taxes	$ **3,927**		$ 1,134	
Future income taxes	**1,203**		2,404	
Total	$ **5,130**		$ 3,538	

Significant components of the company's future tax assets and liabilities as at March 31, are as follows:

	2002	2001
Future income tax assets:		
Tax goodwill	**$ 13,220**	$ 14,956
IPO expenditures	**333**	840
Other	**72**	168
Total future income tax assets	**13,625**	15,964
Less valuation allowance on future assets	**(5,849)**	(6,542)
Net future income tax assets	**$ 7,776**	$ 9,422
Future income tax liabilities:		
Post-employment obligation	**$ 5,038**	$ 4,830
Book values of capital assets in excess of tax values	**2,411**	3,036
Other	**264**	290
Net future income tax liabilities	**7,713**	8,156
Net future income tax assets	**$ 63**	$ 1,266
Represented by:		
Future income tax assets – Long-term	**$ 255**	$ 1,389
Future income tax liabilities – Current	**(192)**	(123)
Net future income tax assets	**$ 63**	$ 1,266

Note 10: Net Change in Non-Cash Working Capital Balances

(in thousands of dollars)	2002	2001
Accounts receivable	**$ 1,097**	$ (8,551)
Prepaid expenses	**(101)**	410
Income taxes recoverable	**538**	(4,773)
Accounts payable and accrued liabilities	**6,639**	3,254
Total	**$ 8,173**	$ (9,660)

Note 11: Segmented Information

The company has one reportable business segment – the provision of freight transportation and logistics services throughout North America. Geographic information has been provided to distinguish U.S. transborder business from Canadian domestic business. For the year ended March 31, 2002, revenues generated in Canada were $175,333,000 (2001 – $176,793,000) and revenues generated in the United States and cross border transportation were $205,678,000 (2001 – $128,414,000). Substantially all of the company's identifiable assets are located in Canada.

Note 12: Financial Instruments

Fair value

The methods and assumptions used to estimate the fair value of financial instruments are described below:

Accounts receivable, income taxes recoverable, bank indebtedness, accounts payable and accrued liabilities, and dividend payable

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of their fair values.

Long-term debt

The fair value of the company's long-term debt (including capital lease obligations) is estimated using discounted cash flow analysis based on the company's current incremental borrowing rates for similar types of arrangements. The fair values are not necessarily indicative of the amounts that the company may incur in actual market transactions. The fair value of the company's long-term debt approximates its carrying value as a result of loans with variable rates approximating market rates with the following exceptions:

(in thousands of dollars)	Carrying value	Fair value
Term loan	$ 10,000	$ 10,345
Capital lease obligations	$ 1,023	$ 1,028

Credit risk

The company's financial assets that are exposed to credit risk consist primarily of accounts receivable. The company, in the normal course of business, is exposed to credit risk from its customers who operate in various industries. This risk is minimized by a large customer base and geographic dispersion.

Interest rate risk

The following table summarizes the company's exposure to interest rate risk as at March 31, 2002:

(in thousands of dollars)	Floating Rate	Fixed interest rate maturing in 2 to 5 years	Non-interest bearing	Total
Financial assets				
Accounts receivable and other	$ –	$ –	$ 55,465	$ 55,465
Financial liabilities				
Bank indebtedness	2,522	–	4,330	6,852
Accounts payable and other accrued liabilities	–	–	42,014	42,014
Long-term debt	3,078	10,445	–	13,523
Total	**$ 5,600**	**$ 10,445**	**$ 101,809**	**$ 117,854**

Foreign exchange risk

The company operates in North America which gives rise to a risk that its earnings, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates between the U.S. and Canadian dollars. Amounts denominated in US currency represent 47% of total accounts receivables and 33% of total accounts payable and accrued liabilities.

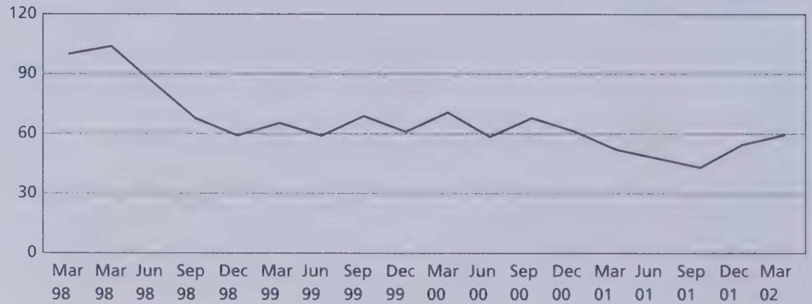
Note 13: Comparative Figures

Certain fiscal 2001 comparative figures have been restated to conform with the presentation adopted in the current year.

(in thousands of dollars except percentages and per share amounts)	Quarter 1st	2nd	3rd	4th	Full Year
2002 Quarterly Results					
Revenue	$ 93,593	$ 99,747	$ 99,126	$ 88,545	$ 381,011
EBITDA	4,374	6,391	5,472	3,635	19,872
Net Income	1,239	2,347	2,112	974	6,672
Operating Ratio (1)	96.9%	95.2%	95.9%	97.6%	96.4%
Basic Earnings Per Share	0.18	0.35	0.32	0.15	1.00
Fully Diluted Earnings Per Share	0.18	0.35	0.32	0.15	1.00
2001 Quarterly Results					
Revenue	$ 72,245	$ 75,799	$ 75,158	$ 81,876	$ 307,078
EBITDA	5,565	5,825	4,881	1,518	17,789
Net Income	2,203	2,316	1,844	373	6,736
Operating Ratio (1)	94.1%	94.0%	95.2%	100%	95.9%
Basic Earnings Per Share	0.33	0.35	0.27	0.06	1.01
Fully Diluted Earnings Per Share	0.33	0.35	0.27	0.06	1.01
2000 Quarterly Results					
Revenue	$ 68,551	$ 69,937	$ 68,973	$ 70,631	$ 278,092
EBITDA	5,243	6,716	6,111	4,757	22,827
Net Income	2,142	2,999	2,694	1,737	9,572
Operating Ratio (1)	94.1%	92.1%	92.9%	95.1%	93.5%
Basic Earnings Per Share	0.32	0.45	0.40	0.26	1.43
Fully Diluted Earnings Per Share	0.31	0.42	0.38	0.25	1.36

Note: (1) Operating Ratio is defined as earnings before interest and taxes divided by revenue (EBIT/Revenue).

Share Performance



Corporate Officers and Senior Managers

Roy P. Rideout, Chairman & Chief Executive Officer, Clarke Inc.
Darell F. Hornby, President & Chief Operating Officer, Clarke Inc.
James G. Lawn, Vice-President, Finance & Chief Financial Officer, Clarke Inc.
John S. Wilson, Vice-President & Chief Information Officer, Clarke Inc.
Dean M. Cull, President, Clarke Road Transport
Serge Leclerc, Vice-President, Clarke Contract Services
Doug Payne, President, Clarke Logistics
Mark Radley, President, Concord Transportation Inc.
Calvin S. Roberts, Senior Vice-President, Clarke Transport

Directors

Roy P. Rideout, Chairman & Chief Executive Officer, Clarke Inc.
Chairman and Chief Executive Officer since January 1998. Previously he was President and Chief Operating Officer of Newfoundland Capital Corp.

George Armoyan, President, Geosam Investments Limited*
An engineer with an extensive background in acquisitions, development and management of residential and commercial real estate properties. He is also Chairman of the Board of Armco Capital Corp. (CDNX: AMO), a real estate development company.

Robert A. Bandeen, Chairman & President, Cluny Corporation*+
Former President of Canadian National Railways and former Chairman of the Greater Toronto Regional Airport Authority. Mr. Bandeen sits on a number of corporate boards and the board of Bishop's University.

Darell F. Hornby, President & Chief Operating Officer, Clarke Inc.
President and Chief Operating Officer since January 1998. Previously, he was the President and Chief Operating Officer of the Clarke Transport Division of Newfoundland Capital Corp.

Louis D. Hyndman, Q.C., Senior Partner, Field, Atkinson, Perraton*
Active in administrative law and business law matters and experienced in the area of government relations. He presently serves as a director on several corporate boards. He was a member of the Alberta Legislative Assembly from 1967 to 1986 as Minister of Education, Minister of Federal and Intergovernmental Affairs and Provincial Treasurer.

David I. Matheson, Q.C., McMillan Binch*+
An expert in corporate, commercial and international taxation law. Mr. Matheson's practice includes counselling on mergers and acquisitions, corporate governance and regulatory matters.

James David Meekison, Chairman, Trimin Capital Corp.+
Mr. Meekison is the Chairman of a Vancouver-based management company with holdings in a diversified portfolio of companies. Formerly, he was Chairman and President of Fusion Capital Limited and Chairman of Tritech Precision Inc., an automotive parts manufacturing company.

Roland J. Thornhill, Financial Consultant+
Former Nova Scotian Deputy Premier and provincial cabinet minister.

*Member of the Audit Committee
+Member of the Human Resources & Corporate Governance Committee

The Toronto Stock Exchange (TSX) has adopted a listing requirement policy whereby listed companies report particulars of their corporate governance system in relation to the guidelines for effective corporate governance contained in the report of the TSX Committee on Corporate Governance in Canada. With reference to these guidelines, the Corporation is pleased to make the following disclosure regarding its corporate governance practices.

Board Composition and Responsibilities

The board of directors currently consists of eight directors, six of which qualify as "unrelated" directors. The two "related" board members are Messrs. Roy P. Rideout and Darell F. Hornby, by virtue of their employment by the Corporation. The Board believes that the majority of independent, "unrelated" directors ensures effective decision making and provides objective advice and counsel to management.

The Board assumes explicit responsibility for the stewardship of the Company and has assumed responsibility for the adoption of a strategic planning process, identification of principal risks and management of these risks, succession planning and monitoring of senior management, communications policy and integrity of the Corporation's internal control and management systems.

Board Committees

The Board of Directors has two committees: the Audit Committee and the Human Resources and Corporate Governance Committee. Each committee has a written mandate outlining its responsibilities and obligations. In accordance with TSX Guidelines, the Audit Committee is composed exclusively of "unrelated" directors. The Human Resources and Corporate Governance Committee is comprised of three "unrelated" directors.

The Audit Committee is responsible for the working relationship between management and the Company's auditors, the fairness of the financial statements and their adherence to generally accepted accounting principles, the appropriateness of accounting principles, the resolution of issues arising between management and the auditors, the implementation of the auditor's report and the audit review process.

The Human Resources and Corporate Governance Committee is responsible for developing and implementing compensation policies, setting and reviewing the compensation paid to the Corporation's executive officers and evaluating the performance of the Company's executive officers and reviewing the appropriateness of the Company's incentive compensation plan. The committee is also responsible for dealing with corporate governance issues including: identifying and proposing new nominees to the Board, orienting and educating new directors, reviewing the compensation of directors, developing the Company's approach to corporate governance and determining the appropriateness of engaging outside advisors at the expense of the Company.

The Human Resources and Corporate Governance Committee also reviews pension plan benefits, liabilities and investment policies, giving due consideration to the Company's risk tolerance.

For a complete description of the Corporation's system of corporate governance with specific reference to the TSX guidelines, please consult our annual Management Proxy Circular.

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Investor Contact
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Vice-President Finance & Chief Financial Officer
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Email: jlawn@clarkeinc.com

Annual Meeting
The Annual Meeting of Shareholders will be held on August 15th, 2002 at 10:00 am at the Le Royal Meridien King Edward Hotel, Windsor Ballroom, 37 King Street East, Toronto, Ontario M5C 2E9
T: 416-863-3131

Financial Calendar
The Company's year-end is March 31. Quarterly reports are mailed in August, November and February.

Stock Symbol
The Company's common shares are listed on the TSX under the symbol CKI.

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Our Vision

Clarke Inc. will be the dominant Canadian-based North American freight transportation and logistics company. It will maximize shareholder value through strong and consistent revenue and earnings growth. This will be achieved through a combination of organic growth, partnerships, strategic acquisitions, and a well executed, integrated sales and service program.

CLARKE

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